

## Completing a Budget Narrative

The Budget Narrative must be a separate document in the electronic submission on Grants.gov. A sample template can be found in Appendix 2. **NOTE: Applicants must use the same format as found in the sample.**

Before developing a project budget, applicants should review the Middle East Partnership Initiative's (MEPI) guidelines detailed below and in the RFA to determine application details including program expectations, any cost-sharing and any restrictions on the types of costs that may appear in the budget.

The Budget Narrative is used to determine if the costs in a MEPI application are reasonable and permissible. All of the proposed costs listed, whether supported by grant funds or match funds, must be reasonable, necessary to achieve project objectives, permissible in accordance with applicable Federal cost principles, auditable, and incurred during the project period. All figures must be in U.S. Dollars and rounded to the nearest dollar.

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### Budget Definitions

**Authorized Organization Representative (AOR):** The individual authorized to act on behalf of the applicant and assume the obligations imposed by the Federal laws, regulations, requirements, and conditions that apply to grant applications or awards. This person will be the signatory on the SF-424 and SF-424b forms.

**Consultant:** An individual or organization who gives professional advice and provides services for a fee and is not a direct hire employee of a grantee's organization. Typically a consultant performs a one-time activity. All consultants require prior approval from MEPI.

**Contract:** A contract under a grant may be awarded for two purposes: 1) goods or services needed to support the grantee's performance of the project or program or 2) an award to a third party for performance of substantive programmatic work. The first category is termed "vendor relationship," and is described in more detail below under "Vendor." The second category is termed "sub-recipient relationship" and may be in the form of a contract under the grant or, in some cases, a sub-award. More detail on the "sub-recipient" relationship is detailed below under "Sub-Award or Sub-Recipient or Sub-Grantee." The relationship rather than the terminology drives the governing requirements for these two relationships.

**Direct Costs:** Costs used for salaries, travel, equipment, supplies, contractual arrangements, and tangible goods or services associated with this project.

**Indirect Costs:** Costs that cannot be identified readily and specifically with a particular sponsored project, program, or activity, but are necessary to the operation of the organization (e.g., overhead, facility maintenance). These costs require a negotiated indirect cost rate (NICRA); otherwise, they must be charged directly and justified in detail.

**Project Costs:** The total allowable costs incurred by a recipient and charged to the award during a budget period. These costs may include those costs supported by Federal funds, costs contributed by the recipient to meet a matching requirement, and the value of any third-party in-kind contributions counted toward the recipient's matching requirement.

**Sub-Recipient or Sub-Awardee or Sub-Grantee:** A third-party individual or organization who receives an award for the performance of certain programmatic work. All sub-recipients require prior approval from MEPI. The receiving organization (sub-recipient):

- ☐ Has its performance measured against whether the objectives of the grantee's project are met;
- ☐ Has responsibility for programmatic decision making (to the extent specified in its contract/sub-award);
- ☐ Has responsibility for adherence to applicable grant compliance requirements; and
- ☐ Uses their awarded federal funds in conjunction with a program of the organization as compared to providing goods or services for a program of the pass-through entity.

**Vendor:** An organization who receives funding from the grantee for the procurement of a good or service needed to support the grantee's performance of the project. A vendor relationship is one under which the receiving organization (vendor):

- ☐ Provides the goods and services within normal business operations or to many different purchasers;
- ☐ Operates in a competitive environment;
- ☐ Provides goods or services that are supplementary to the operation of the grantee's project; and
- ☐ Is not subject to federal programmatic compliance requirements.

When a grantee obtains routine goods and services necessary for performance of the grant-supported project, it may be through activities chargeable to indirect costs (e.g., acquisition of audit services) or, as appropriate, through a direct charge (i.e., contractual).

## Allowable Project Costs

The cost principles below address four tests in determining the permissibility of costs. These four tests apply regardless of whether the particular category of costs is one specified in the cost principles or one governed by other terms and conditions of an award. These tests also apply regardless of treatment as a direct cost or an indirect cost. The fact that a proposed cost is awarded as requested by an applicant does not indicate a determination of permissibility.

1. **Reasonable:** A cost is reasonable if, in its nature or amount, it does not exceed that which would be practical under the circumstances prevailing at the time the decision was made to incur the cost. The cost principles elaborate on this concept and address considerations such as whether the cost is necessary for the organization's operations or the grant's performance, whether the recipient complied with its established organizational policies in incurring the cost or charge, and whether the individuals responsible for the expenditure acted with due prudence in carrying out their responsibilities to the Federal government and the public at large, as well as to their organization.

2. **Allocable:** A cost is allocable to a specific grant, function, department, or other component, known as a cost objective, if the goods or services involved are chargeable or assignable to that cost objective in

accordance with the relative benefits received or other equitable relationship. A cost is allocable to a grant if it is incurred solely in order to advance work under the grant; it benefits both the grant and other work of the organization, including other grant-supported projects or programs; or it is necessary to the overall operation of the organization and is deemed to be assignable, at least in part, to the grant.

3. **Conforming:** A cost conforms if it matches with any limitations or exclusions set forth in the Federal cost principles outlined in the award terms and conditions. These cost may vary in type of activity, the type of recipient, and other characteristics of individual awards.

4. **Consistent:** A cost must be consistent with regulations, policies, and procedures of the recipient that apply uniformly to both Federally supported and other activities of the organization. Recipients must be consistent in assigning costs to cost objectives. They must be treated consistently for all work of the organization under similar circumstances, regardless of the source of funding, so as to avoid duplicate charges (e.g., direct costs, indirect costs, cost sharing).

## Budget Narrative Sample Template

The Budget Narrative Sample Template provides examples of possible costs. Applicants should revise the template to reflect the costs associated with their proposed activities. In addition, applicants should remove any descriptions within the document and replace it with their cost justifications.

When completing the template, applicants should ensure the following:

- ☐ Presented in U.S. dollars, rounded to the nearest dollar;
- ☐ Include an estimate of the cost of tasks and activities projected based on budget category identified on the Budget Information Form (SF 424a);
- ☐ Provide details of calculations including estimation methods, quantities, unit costs, and other similar quantitative detail sufficient for the calculation to be duplicated;
- ☐ Funding should not duplicate on-going activities;
- ☐ Budget categories should be clearly labeled and identified;
- ☐ The use of "miscellaneous expenses" or any similar term as a budget item is unacceptable;
- ☐ Cost-sharing (salaries, rent, utilities, equipment etc.) is strongly encouraged. Applicants will be expected to document cost-sharing arrangements. Not included as a cost in any other Federally-supported award.

## Cost Category Guidelines

Use the checklist information below to ensure that your budget provides all the necessary information.

### 1. Personnel

- ☐ Is each position identified by title or responsibility?
  - **Program Director:** The individual who will provide daily oversight of the grant, including fiscal and personnel management, community relations, and project implementation and evaluation during the project period.
  - **Project Coordinator:** The individual who will coordinate coalition services and MEPI project activities, including training, coalition communication, data collection, and information dissemination.
  - **Financial or Business Official:** The person who handles the financial components of the grant.
  - **Key Personnel:** MEPI grant key personnel include a Program Director and or Project Coordinator. Key personnel are defined as individuals who contribute to the programmatic development or execution of the project in a substantive, measurable way, whether or not they receive salaries or other compensation under the grant.

- ☐ Is the identified position occupied, if so is the name of the employee identified?
- ☐ Is the basis for determining each employee's compensation described (annual salary and % time devoted)?
- ☐ Are time commitments and the amount of compensation stated and reasonable?
- ☐ Are salary increases anticipated during the grant period and are they justified (Cost of Living Allowance, etc.)?
- ☐ Are any personnel costs unallowable?
  - ☐ Does the level of effort of the employee exceed 100% of all work on all projects or positions?
  - ☐ Federal Employee

## **2. Fringe Benefits**

- ☐ Is each type of benefit indicated separately or does the organization have an approved fringe benefit rate (NICRA)?
- ☐ Are fringe increases anticipated during the grant period and are they justified?
- ☐ Are any fringe costs unallowable?

## **3. Travel**

- ☐ Is the travel necessary for the purpose of the program?
- ☐ Are travel costs separately identifiable and reasonable (transportation, hotel, meals, mileage)?
- ☐ Is the basis for computation provided?
- ☐ Does the organization travel policy follow the Federal guidelines (e.g., Fly America, per diem rates, etc.)?

## **4. Equipment**

- ☐ Does the equipment have a useful life of more than one year and an acquisition cost of \$5,000 or more?
- ☐ Is the request reasonable and allowable under the project?
- ☐ Are equipment items specified by unit and cost?
- ☐ Are purchases distinguishable from rentals or leases (vehicles, large items of equipment)?

## **5. Supplies**

- ☐ Are supplies listed separately?
- ☐ Are costs per unit identified and detailed?
- ☐ Is the basis for the cost reasonable?

## **6. Contractual**

- ☐ Is the type of service to be rendered described?
- ☐ If the consultant is known, did you complete Appendix 2.1?
- ☐ Is the total amount for any contract in excess of \$100,000?
- ☐ If the contractor is known, did you complete Appendix 2.2

## **8. Other**

- ☐ Are items grouped by type (space rental, printing, phone, maintenance, sub-award, etc.)?
- ☐ Are all costs justified and allowable?
- ☐ Is each sub-award (or sub-grant) described (i.e., description of activities to be performed, method of selection, type of agreement, budget with narrative) and the amount of award included?